

Message Text

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INFO OCT-01 EUR-12 EA-06 ISO-00 TRSE-00 L-03 H-02 AID-05

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 /066 R

DRAFTED BY EB/IFD/OMA:MMINNIES/TREAS:MEBLAKE:DLS

APPROVED BY EB/IFD/OMA:RJRYAN

TREAS:LWIDMAN

TREAS:GERARD (SUBS)

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USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: CONGRESSIONAL INTEREST IN RECIPROCITY IN FOREIGN
BANK ESTABLISHMENT

REFS: A) STATE A-3324 DATED 4/23/74; B) STATE A-3945
DATED 5/5/74; C) STATE A-9082 DATED 12/11/74

1. CONGRESSMAN FERNAND J. ST. GERMAIN, CHAIRMAN OF THE
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SUBCOMMITTEE ON FINANCIAL INSTITUTIONS OF THE HOUSE

COMMITTEE ON BANKING, CURRENCY, AND HOUSING, HAS WRITTEN TREASURY SECRETARY SIMON TO REQUEST INFORMAL REPORTS OF VIEWS OF U.S. EMBASSIES, CENTRAL BANK AUTHORITIES AND COMMERCIAL BANKERS ABROAD ON "HOW BEST TO ACHIEVE RECIPROCAL TREATMENT FOR BANKS AMONG THE VARIOUS COUNTRIES."

2. FOR POST BACKGROUND, LEGISLATION PROPOSED BY FRB TO REGULATE FOREIGN BANKS (REFS A, B, C) WAS REINTRODUCED IN MARCH 1975 WITH ONLY A FEW MINOR TECHNICAL CHANGES. SECTION 25, SUBSECTION (E), PROVIDES THAT THE MANDATORY FEDERAL BANKING LICENSE MAY BE DENIED IF IT IS DETERMINED THAT ISSUANCE "WOULD ADVERSLY AFFECT THE DOMESTIC OR FOREIGN COMMERCE OF THE U.S., OR WOULD OTHERWISE NOT BE IN INTEREST OF THE U.S." SINCE FOREIGN BANKS UNDER BILL CAN BYPASS STATE RECIPROCITY REQUIREMENTS BY

OBTAINING A FEDERAL LICENSE, SUCH A CLAUSE COULD BE EMPLOYED TO REQUIRE RECIPROCITY OF COUNTRIES THAT DISCRIMINATE AGAINST U.S. BANKING, PROVIDED WE DID NOT HAVE AN FCN WITH THAT COUNTRY WHICH GUARANTEED THEIR BANKS MOST FAVORED NATION TREATMENT.

3. ACTION REQUESTED: WITHOUT APPROACHING HOST GOVERNMENT OFFICIALS, EMBASSIES SHOULD GIVE VIEWS ON (A) DEGREE TO WHICH STATE RECIPROCITY REQUIREMENTS HAVE ASSISTED U.S. BANKING ACTIVITY ABROAD AND WHETHER FEDERAL LICENSING WITHOUT RECIPROCITY COULD EFFECT THIS TREND, AND (B) WHETHER FEDERAL RECIPROCITY COULD BE USEFULLY EMPLOYED AGAINST COUNTRIES WHO DO NOT HAVE AN FCN WITH THE U.S. TO PROTECT AMERICAN BANKING INTERESTS. IN ADDITION, GENERAL COMMENTS OR IDEAS ON ALTERNATE APPROACHES ARE WELCOMED. PROMPT RESPONSE REQUESTED AS SUBCOMMITTEE DELEGATION LEAVING ON OVERSEAS TRIP AUGUST 4 FOR DISCUS-

SIONS OF THIS ISSUE. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE157474
Document Source: CORE
Document Unique ID: 00
Drafter: MMINNIES/TREAS:MEBLAKE:DLS
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750231-0674
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750786/aaaaczgg.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE A-3324, 75 DATED 4/23/74, 75 STATE A-3945
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 23 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2003 by ShawDG>; APPROVED <29 SEP 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CONGRESSIONAL INTEREST IN RECIPROCITY IN FOREIGN BANK ESTABLISHMENT
TAGS: EFIN
To: BERN MULTIPLE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006